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Government's role as moderator in relationship of Porter's diamond factor conditions and firm's performance



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ABSTRACT

The study's purpose was to investigate through empirical research the moderating role of government in the relationship of porter diamond factor conditions attribute and firm's performance in the automotive industry of Pakistan. The research methodology used positivism philosophy, a pilot study carried out to determine the reliability and validity of the instrument. The descriptive and inferential statistics constituted an integral part of statistical analysis. 194 samples selected through random sampling, a self-administered questionnaire was served to them, 166 responses received and studied. For moderation macro, PROCESS v3.0 (model 1) used to test the hypothesis. The findings of the study indicate the absence of such a study in the auto industry of Pakistan. Government policy influenced the firm's performance in the automotive industry. Government policy did not play a moderating role in the relationship of porter diamond factor conditions determinant and firm's performance. Theoretical implications reflect that the government's role as a moderator between the relationship of porter diamond factor conditions and the firm's performance remained not significant. Practical implications indicate that government policy has influence over the firm's performance, nonetheless, government policy's mediating role between porter's diamond factor conditions and firm's performance have no effect. Moderation results provided a theoretical and practical context for academia, industry players, and policymakers

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Introduction

Government policy is referred as well-designed governmental regulatory mechanism for implementation and enforcement. Governmental regulatory policy encompasses consolidation of market openness and market competition policy in the agenda and brings about a cultural shift with a view to add flexibility dimension in policy design. Legal, economic and public management doctrines are to be combined and inculcated in all regulatory policies (Malyshev, 2002). A well-developed government infrastructure, viewed by Loader (2007), is a cornerstone for economic activities entailing; accessibility to natural resources, functionality of business systems, information technology, communication technology, communication & transport systems, design for educational institutions and environment protection initiatives Tuna (2006). In diamond model government's role and element of chance has been elaborated as added variables; they play a critical role in diamond as system. Government role in diamond serves as challenger and acts as a catalyst which forces the firms in encouraging manner to raise their levels of competitive performance and aspirations. This research studied the government policy using regulation and/or deregulation of capital market, subsidies, establishing standards for local product, tax laws, and antitrust regulations. Governments have responsibility, among others, to protect and enhance the well-being of their citizens.

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In addition, across the world, governments as they solicit the much needed multinational corporations (MNCs) investments, have realized and experienced the pressures from competitive forces of different nations. Therefore, envisaging greater involvement of governments in formulating economic policy and allocating a more important role for them is a clear manifestation of the new thinking. Porter (1990) describes factor conditions as one of the determinants of diamond model. Firms need two categories of factors, that is, basic, and in addition 'advanced factors'. Basic factors are inclusive of location, capital, country resources, raw material availability and labor whereas highly educated human resources represent advanced factors in the cluster. Porter argued that to enhance the competitiveness of firms in the cluster, advanced factors are the determining force as these advanced factors' presence is critical for stable functioning of individual firms and also the cluster. The firms are forced to innovate if there is shortage or non-availability of one or more factors of production. In the face of unfavorable situations like shortage of labor and raw material, and lack of infrastructure, firm either endeavors to utilize resources efficiently or moves strategically to support new design development, new methods or new products. In either case exercising the option fosters competitiveness for cluster. While having deliberation on factor conditions, it is witnessed that every region maintained their own unique strengths and similarly weaknesses; hence, competitiveness is contingent upon the efficacy in utilization of these factors. This research study sought to determine whether government policies moderate the influence of Porter's diamond factor conditions determinant and performance of the automotive industry in Pakistan.

Firm's performance refers as combined financial-based and non-financial based parameters having capacity to present data and information in realization of results and objectives (Kaplan & Norton, 1992). To measure firm's performance from broader contextual aspects (financial, customer, process, and learning & growth) balance scorecard (BSC) tool was used in this study. Kaplan and Norton (1992) came up with this tool with the objective to provide fast and at the same time detailed picture of firm sought by the business managers with the logic that it will serve as the first step in improving the managerial performance. There was criticism on the performance measurement (PM) system traditionally available for having focus exclusively on financial parameters and for being deficient to determine and monitor multi-faceted performance (Brignall & Ballantine, 1996). Specific research objective in the research study was to determine government policy having moderating influence on the relationship between Porter's diamond and firm's performance which was the basis of null hypothesis H_{01} : Government policy does not significantly moderate the influence of Porter's diamond and firm's performance.

Literature Review

Theoretical Perspective

The governments, according to (Brown et al., 2010; Deniz et al., 2013; Dögl et al., 2012) design policies concerning fields which are central for the well-being of public, like, health, environment, safety, institutional framework related to finance, industry, trade & business and development programs. The government operates in geographical units through a range of different agencies which bring about their own influences on the business environment in the given locations. To help minimize the external threats and risks for economic conditions, government policies play a critical role and affect the competitive environment directly or indirectly. Edler and Georghiou (2007) presented taxonomy that basically divides the policy measures into two different domains as per their application: (1) those providing support to supply side, and (2) the other guiding the demand side. Rationally, government policies for the public can function in the both fields of demand and supply, evolving and generating attractive and favorable environments for economic growth and innovation. Fiscal measures include extending support to supply side which entails policy measures like equity, supporting public investment, support in research and development (R&D), education, mobility and training; and promoting partnerships and network. The nation's situation in skilled workforce or infrastructure is termed as factors of production. Porter (1990) explained that by and large national factors of production encompass things and resources accessible to economic entities, such as physical, financial, and human resources. It goes beyond saying that resources include quality of infrastructure in a country's health care and education systems, transportation and communication networks. These resources provide impetus in creating value with productivity. Porter, however, argued aptly that human capital, and knowledge, considered as advanced factors are having greater importance vis-à-vis basic factors; incidentally this theme is true especially in current global information-oriented economies.

In Pakistan, there are no studies conducted on Porter (1990) diamond model factor conditions, its influence on the performance of automotive industry and government role as a moderator. The studies by researchers and academia indicate that major research on Porter diamond received emphasis in other countries, and that too in other industries. For this study the researchers undertook an in-depth analysis of available empirical literature.

In the US, a study was carried out by Hogan, Meredith, and Pan (2015) investigating the regulation on risk-based capital (RBC). In the discussion it was highlighted that in banking sector in the US and Europe, RBC regulations are associated with the building-up of risk. On the contrary, proponents of RBC regulations advocate that in order to limit the banking risk such regulations are essential. Bernanke (2011) then the chairman of Federal Reserve of the US was convinced that financial crisis risk may be reduced by enforcement of regulations and this way financial system may be stabilized and required to maintain good-quality capital leading to effective buffers for liquidity.

On subsidies, the Ming (2017) study focused on China and attempted to examine energy subsidy support reform. Consistent with the results, in the period 2010-2014, CNY 90–202 billion was estimated as annual energy subsidies in China which was commensurate to 0.95%–1.21% of expenditure made by the government, or equivalent to 0.22%–0.37% of gross domestic product (GDP) of China. Special subsidies were provided to construction and transportation in rural areas grid, 72% subsidies in energy were extended to residents of the area, whilst 13% and 10% were distributed to fixed capital and exports, respectively. In conclusion, subsidies were observed to be regressive marginally; well-defined and adequate in substance energy reforms were recommended by the researcher to narrow the wealth disparity, and curtail the budgetary burden. Another study was carried out by Mund, Pieterse, and Cameron (2015) to investigate product development inclusive of product design and engineering processes in the automotive firms in South Africa (SA) including the lean product doctrine. The study examined Toyota in the light of sample drawn from suppliers responsible for product design and/or engineering domestically. In the study, the authors established empirically that automotive firms have increased focus on manufacturing, and limited emphasis on local product development and design, as this crucial activity was performed centrally. Many decisions are taken locally to suit the global product with local conditions.

In India, the study conducted by George and Reddy (2015) focused on investigating the current tax system in India, bottlenecks in the field of corporate taxation and exploring possible reasons of corporate tax gap in the country, comparing the situation in India vis-à-vis emerging nations. It is concluded through the findings of the study that to help promote investments, internationally and domestically, the economies of emerging countries and more importantly their tax systems play a determinant role. A US based consulting firm (Wilson, Sonsini, Goodrich, and Rosati [WSGR], 2016) concluded in their report that 2016 was considered highly productive and active year focusing on various facets of key economic concerns, ranging from global cartels and mergers to domestically oriented criminal and civil conflicts. The year conferred on antitrust practitioners and industries host of international and national challenges as well as a scenario characterized by constant shift in policy and enforcement regime.

In Nigeria, Oyelakin and Kandi (2017) Ahadu Bello University conducted a research with the purpose to study government policies role in defining the relationship between innovation, technology and entrepreneurship development in Nigeria. The study results found out significant effect between the government support and development of innovation, technology and entrepreneurship. According to the study findings government policies played a positive role in moderating the relationship. In Indonesia, Moeljadi, Sumiati, Anselah, and Yuniarsa (2015) University of Brawijaya conducted a study with the objective to test and investigate empirically the government's role as moderator in the relationship between entrepreneurship, innovation and market, in business performance. The target population was small and medium enterprise (SMEs). Sample of 100 SMEs were selected from the village Tutul Balung Jember District and analysis was performed by using WarpPLS. Results of the study show that entrepreneurial orientation, innovation and market focused approach would result into improvement of business performance in SMEs. Nevertheless the role of government did not moderate the relationship between entrepreneurship, innovation, and market focus.

Research and Methodology

In this study, it was used the axiology and epistemology for positivism philosophy reason being that positivism serves as deterministic tenet in which rational and logical causes regulate the effects or results. The tradition of post positivists goes back to 19th century; in the more recent past, Phillips and Burbules (2002) made contribution toward this philosophy. For positivism, researcher normally focuses on facts, scientific methods to measure facts, causal relationship and prediction in the study (Sunders, Lewis, & Thornhill, 2016). In order to determine the influence of government's role to moderate the relationship of porter diamond factor conditions and firm's performance in the auto sector of Pakistan positivism philosophy was used. The survey research design is a widely used type of non-experimental research; authors like (Christensen, Johnson, & Turner 2014) stated that survey research is non-experimental research and currently widely used by researchers. For this research study both descriptive and analytical surveys were used along with its key governing parameters and framework which constituted the survey study research design. Population refers the full group of interest to the researcher as described by Christensen et al. (2014) from which one wants to generalize, and select the sample. In this research study, all the automotive firms of the industry were considered as part of total population for study. CEOs, senior managers, and functional heads of the firms were the target population.

Sampling frame refers to list of elements from which researcher may draw the sample for study purpose. For this study all the 15 firms having around 377 senior management personnel constituted as sampling frame; Most of these firms are locally owned, MNCs and joint ventures. Christensen et al. (2014) argued that simple random method is by and large the most basic method of sampling in probability technique; each element has an even chance to be selected from the population. In this study simple random sampling technique has been used, reason being that samples had equal probability to be selected during already concluded data collection phase. In the subject research study Yamane (1967) equation is used to help determine size of the population. Calculated sample size was 194. This study used structured questionnaire to collect the primary data. Likert (1932) scaling a multi-item scale was used in the questionnaire during the research study and gauged an individual construct by totaling the responses from the participants to the items on the scale. Where deemed necessary the study used the secondary data to help support the primary data and the research study.

A pilot study may be used to identify some logistics issues in the research instrument (Hazzi & Maldaon, 2015). According to (Crocker & Algina, 1986; Gregory, 1992; Henson, 2001), to perform coefficient alpha there are, by and large, three measures

available, but the Cronbach coefficient alpha is used widely from practical viewpoint. Alpha (>0.90) higher could be due to instrument's small redundant items, conversely, lower alpha (<0.5) may reflect interrelatedness among items are poor, or questions numbers are low (Tavakol & Dennick, 2011). In this case, $\alpha = .77$, which indicates that reliability statistics of government policy items have higher internal consistency. Table 1 indicates the results.

Table 1: Cronbach's Alpha for Government Policy

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.771	.780	16

Source: Authors

Descriptive Statistics

Collection, organizational, summarization and presentation of data considered in descriptive statistics (Bluman, 2017). Descriptive analysis which constituted part of data analysis included central tendency of statistics inclusive of computing mean, and standard deviation.

Inferential Statistics

Generalization from sample phase to population phase, computing estimations, evaluating relationship, making predictions and testing the hypotheses, entails in the inferential statistics (Bluman, 2017). Pearson correlation analysis was used to determine the strength of linear relationship between two or more variables (Cooper and Schindler (2014). Statistical test Chi-square used on sets of data being categorical to support the fact that two variables are termed as independent or observed arrangement reflected by way of chance (Sekaran & Bougie, 2016). Chi-square, typified as χ^2 , is a non-parametric test of significance. For this study Hayes (2013) macro, PROCESS v3.0 (model 1) was used to perform the moderation analysis and their integration as "conditional process analysis". The approach and procedures explained for testing hypothesis about the mechanisms by which causal effects operate, the conditions in which they occur, and moderation of mechanisms, depending on the principles of ordinary least squares regression, and with great amount of care explaining the estimations and interpretations of direct and indirect effects, investigating the interactions and testing of about moderation mediations. Hayes (2013) macro, PROCESS contains bootstrapping and M-test and several research simulation undertakings have proven that these alternatives elicit high power and better control for Type 1 error. Through this macro, PROCESS v3.0 (model 1) the study carried out the moderation and explored whether government policy moderates the effect of Porter's diamond factor conditions determinant and firm's performance in the automotive industry of Pakistan or not.

Results and Findings

Descriptive statistics results

Data collected from 166 respondents out of the 194 samples. The response rate (RR) is 85.6%. The recommended threshold is 70% Mugenda and Mugenda (2003). In strategic management doctoral studies, RR in East Africa was recorded 66% in Bagire and Namada (2013) study. The underlying reasons among others for the change in RR are varied including gender and age characteristics (Hatfield & Coyle, 2013); maintaining anonymity and confidentiality (Khorsandi et al., 2012; Nevo et al., 2010); location points, interferences, and socially oriented pressures (Mau & Opengart, 2012).

Mean and standard deviation for government policy

The majority of respondents provided their concurrence that tax policy can act as an important structural driver to have sustainable strong growth of automotive industry in Pakistan and this point was supported by mean score of 4.11. Similarly, respondents gave affirmative response on the statement that tax policies can be an effective mechanism to promote domestic investments, supported by mean score of 4.08. The statement that governments have a big stake in the influence of location in competition as they are responsible for the well-being of citizens in particular geographical areas was supported by mean score of 4.05. A good number of respondents agreed to the statement on product standards related to the characteristics of goods/ services ranging from quality, safety to fitness for purpose as shown by mean score of 3.93. The mean score of 3.90 was computed on the statement that governments feel intense pressure of competition from other nations to attract investment of international companies which indicates the fact that reasonable number of respondents supported the statement. Varied responses were received from the respondents on the statement that global product designs require modifications to suit local manufacturing decisions keeping in view local conditions in Pakistan automotive sector as supported by mean score of 3.87. The lowest mean score of 3.43 in the government policy section was recorded on the statement that global antitrust laws have negative impact on the performance of firms with implied varied point of view of the respondents inclusive of some remaining neutral. Table 2 portrays the results of mean and standard deviation for government policy.

Table 2: Mean and standard deviation for government policy

Items	Government Policy		
	N	Mean	Standard deviation
Governments have a big stake in the influence of location in competition as they are responsible for the well-being of citizens' in particular geographic areas.	166	4.05	.741
Governments feel intense pressure of competition from other nations to attract investment of international companies.	166	3.90	.768
Regulations make the financial system more stable and reduce the risk of future financial crises.	166	4.05	.672
Government subsidies include: Tax holidays, reduced tariff on imported components, income or price support, financial contribution, direct funding, among others.	166	3.84	.770
Subsidies have a large impact on government budgets.	166	3.86	.883
Subsidies to firms bring about adverse impact on overall performance of the industry.	166	3.49	.977
Product standards related to the characteristics of goods/ services range from quality, safety to fitness for purpose.	166	3.93	.715
Global product designs require modifications to suit local manufacturing decisions keeping in view local conditions.	166	3.87	.723
Internalizing the product standards leads to competitive advantage for the firm.	166	3.70	.827
Tax policy can act as an important structural driver to have sustainable strong growth of industry.	166	4.11	.809
Tax environment in Pakistan is based on complex system which negatively impacts firm's performance.	166	3.99	.860
Tax policies can be an effective mechanism to promote domestic investments.	166	4.08	.771
International investment can be promoted through effective tax policies mechanism.	166	4.03	.766
Tax policies can be instrumental to create national competitive advantage of industry to help enter in the regional/ global markets.	166	3.94	.822
Governments in developing economies generally move to protect consumer interest from unfair pricing by monopolies.	166	3.58	.896
Countries are increasingly entering into various treaties (e.g. bilateral/multilateral) related to the content and enforcement of competition laws.	166	3.68	.731
Global antitrust laws (e.g. protecting small players in industry from dominant players in the industry) have negative impact on the performance of firms.	166	3.43	.910

Source: Authors

Inferential Statistics

Pearson's correlation coefficient measured the linear relationship between the paired data. Pearson's coefficient was used in the study on normal variables (government policy and firm's performance operating in automotive sector of Pakistan being dependent variable) and measured linear association. The result obtained from the test indicates that significance level is $p < .01$. Test results found out that government policy does influence firm's performance in Pakistan automotive industry as they are linearly and positively related $r = 0.271$, $p < .01$. Identification is provided by two asterisks. Table 3 indicates the results on correlation between government policy index and firm's performance.

Table 3: Correlation between government policy index and firm's performance

Government Policy	Firm's Performance	
	Pearson Correlation	.271**
	Sig. (2-tailed)	.000
	N	166

** Correlation is significant at the 0.01 level (2-tailed).

Source: Authors

Cross-classified category data was examined by Chi-square test. Nonparametric test of significance is Chi-square test which was performed for comparing observed output with expected outcome results and to determine goodness-of-fit. There is association between government policy and firm's performance $\chi^2(36.898, df=6, N=166, p=.000)$ Chi-square results concluded. Table 4 provides the results of chi-square test on government policy.

Table 4: Chi-Square test on government policy

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	36.898 ^a	6	.000
Likelihood Ratio	21.749	6	.001
Linear-by-Linear Association	9.045	1	.003
N of Valid Cases	166		

a. 7 cells (58.3%) have expected count less than 5. The minimum expected count is .04

Source: Authors

SPSS macro, PROCESS v3.0 (model 1) was used in this study to perform the moderation analysis. In the analysis each b is compared to zero by applying t -test which was calculated from the beta divided by its standard error. The confidence interval (CI) was also generated. The moderation is presented by not having significant influence, and in this case the interaction is not statistically significant, $b = -.0171$, 95% CI[-.5784, 0.5442], $t = -.0601$ $p > .01$, indicated that relationship between factor conditions and firm's performance is not moderated by government policy; though overall the moderation model predicted 8.6% of the firm's performance variance, $F(3, 162) = 4.2783$, $p < .01$. Table 5 presents the influence of factor conditions on firm's performance and government policy as moderator.

Table 5: Influence of factor conditions on firm's performance and government policy as moderator

Model = 1							
Y = FP							
X = FC							
M = GP							
Sample size							
166							
Outcome: FP							
Model Summary							
R	R-sq	MSE	F	df1	df2	p	
.2938	.0863	.2647	4.2783	3.0000	162.0000	.0062	
Model							
	coeff	se	t	p	LLCI	ULCI	
constant	3.6933	.0439	84.1696	.0000	3.6066	3.7799	
GP	.1656	.1281	1.2925	.1980	-.0874	.4186	
FC	.2735	.1303	2.0988	.0374	.0162	.5308	
int_1	-.0171	.2842	-.0601	.9521	-.5784	.5442	
Product terms key:							
Int_1	FC	X	GP				

FP (Firm's performance), FC (Factor Conditions), GP (Government Policy), int_1 (Interaction)

Source: Authors

Discussion

The study sought to determine how the government policy moderates the influence of Porter's diamond on firm's performance in the context of the auto industry in Pakistan. Research study results ascertained government policy moderating the influence of Porter's

diamond and firm's performance in the automotive industry of Pakistan. Government policy used sub-constructs like, regulation of capital market, subsidies, establishment of local product standards, tax laws, and antitrust regulations. Correlation analysis results draw this inference that there is relationship between government policy and firm's performance and found out that government policy influences firm's performance in the automotive industry of Pakistan as they are positively and linearly related $r = .271$, $p < .01$. The study inferred that governments have a big stake in the influence of location in competition as they are responsible for the well-being of citizens in particular geographical areas. This is in agreement with Porter (1990) point of view that governments do have stakes in the influence of location in competition, to extend support to the people of that geographical area. The results are also consistent with the study by (Dögl et al., 2012; Deniz et al., 2013; Brown et al., 2010) that focused on designing of policies by the government concerning fields which are central to the well-being of public, like, health, environment, safety, institutional framework related to finance, industry, trade & business and development programs. The study further found out that regulations make the financial system more stable and reduce the risk of future financial crises. These results corroborate with the results of Hogan, Meredith, and Pan (2015) study on the regulation on risk-based capital (RBC) in banking sector in the US and Europe. Test results found out that subsidies component does not influence firm's performance. In overall context the study did not find out any relationship between subsidies component and firm's performance in the automotive industry of Pakistan. This perspective is supported by the conclusion drawn by Ming (2017) that subsidies were observed to be regressive marginally.

The test results found out that here is no direct relationship between establishment of local product standards and firm's performance. These findings are in agreement with the perspective of Mund, Pieterse, and Cameron (2015); their study concluded that automotive firms in South Africa (SA) have greater focus on manufacturing, and limited emphasis on local product development and design and many decisions are taken locally to suit the global product with local conditions. Similarly, the study results found out that there is no direct relationship on the tax laws component and firm's performance in the automotive industry of Pakistan. George and Reddy (2015) study results corroborate with these findings on relationship between tax laws and performance as the researchers concluded that tax policy in India is aimed at increasing the revenue to help overcome the deficit on fiscal side.

The empirical study found out that there is positive and direct relationship between antitrust regulations and auto sector's performance in Pakistan. The results of the study are in agreement with the consulting firm (Wilson, Sonsini, Goodrich, and Rosati [WSGR], 2016) report that 2016 proved to be a very active year for key matters, from the US and global mergers to domestic civil and criminal disputes and global cartel matters, as the year presented the antitrust practitioners and businesses with a broad range of national and international regulatory challenges as well as constantly shifting policy and enforcement landscapes. Contrasting results emerged in the study conducted by Oyelakin and Kandi (2017) Ahadu Bello University, Nigeria which focused on investigating government policies' role in defining the relationship between innovations, technology and entrepreneurship development in Nigeria. This study results found out significant effect between the government support and development of innovation, technology and entrepreneurship. According to the study findings government policies played a positive role in moderating the relationship. These findings are in disagreement with the results of the study conducted in the auto sector of Pakistan. This study's results are more or less in line with the study conducted in Indonesia by Moeljadi, Sumiati, Anselah, and Yuniarsa (2015) University of Brawijaya; the results of the study found out that entrepreneurial orientation, innovation and market focused approach would result into improvement of business performance in SMEs. Nevertheless the role of government did not moderate the relationship between entrepreneurship, innovation, and market focus. The findings of this study corroborate with the results of the study concluded in the auto sector of Pakistan.

On objectively based results, the study did not reject the null hypothesis H_{01} : government policy does not significantly moderate the influence of Porter's diamond and firm's performance in the automotive industry of Pakistan. Therefore it is safely concluded that government policy along with its sub-constructs like, regulation of capital market, subsidies, and antitrust regulations affect the automotive industry of Pakistan. However, government policy moderation influence between Porter's diamond and firm's performance values recorded as not significant in the study. The results recorded that relationship between factor conditions and firm's performance is not moderated by government policy, $b = -.0171$, 95%CI $[-.5784, 0.5442]$, $t = -.0601$, $p > .01$.

Conclusions

The key role of government policy and its consequential impact on automotive industry of Pakistan both in the short and long term cannot be overemphasized. From the perspective of government policy's moderating role in the relationship between Porter's diamond factor conditions and firm's performance in the automotive industry of Pakistan the study results illustrate not significant relationship. From the moderation model the conclusion can be drawn that on the porter diamond attribute factor conditions; the interaction is not statistically significant, $b = -.0171$, 95%CI $[-.5784, 0.5442]$, $t = -.0601$, $p > .01$. The study concluded that on the research question that the government policy does not have moderating influence between Porter's diamond factor conditions determinant and firm's performance in the automotive industry of Pakistan. Nevertheless, the study found a relationship on sub-constructs like: government policy on 'regulation of capital market' and firm's performance, regulations make the financial system more stable and reduce the risk of future financial crises, and government policy related to 'antitrust regulations' and firm's performance. In essence it is reiterated that government's role cannot be undermined in internalizing the quintessential virtue of Porter's diamond model factor conditions determinant to achieve higher performance of firms. It is recommended that Pakistan government aligns the overall automotive industry policy coupled with supportive measures to achieve the national competitive advantage in the automotive industry of Pakistan.

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